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ARGENTINA: The Peronist candidate, Hector Campora, has been declared the winner in the presidential election held Sunday, eliminating the need for a runoff.

Ricardo Balbin, the Radical candidate who finished a distant second, conceded victory to his opponent last night, hours before President Lanusse declared Campora the winner while noting that he had fallen short of an absolute majority. The heavy Peronist vote also appears to have carried the followers of the former dictator to victory in congressional and provincial elections throughout Argentina. The final makeup of Congress has not yet been determined and some runoffs may be required.

The armed forces have been slow recovering from their surprise at the strong showing of their long-time foes.

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The Peronists, in turn, promised to observe the chain of command and appoint General Lopez Aufranc as army commander in chief. Despite these early signs of military acquiescence, it is a long time before inauguration on 25 May. The many strong anti-Peronist officers will have time to attempt to prevent Campora from gaining power.

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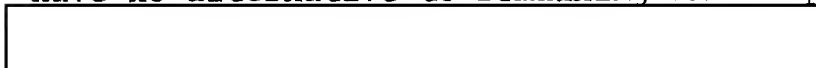
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WEST GERMANY: Chancellor Brandt has served notice he will block leftist attempts to challenge the Social Democratic Party's moderate policies at the party's convention next month.

In an interview published as the Young Socialists' (Jusos) convention opened last weekend, Brandt clearly addressed himself to that group and to other Social Democrats who share their views. The Jusos' convention, nonetheless, adopted a motion that strongly criticizes the US, calls for the withdrawal of all foreign troops from Europe, and advocates the dissolution of NATO and the Warsaw Pact. Brandt said that whoever places NATO in question destroys Bonn's detente policies, and asserted that Bonn's policy must be firmly anchored in the Western defense alliance.

Brandt predicted that the Social Democratic Party convention in Hannover will take no decision which contradicts the party's successful election program of 1972 or the basic political program it adopted in 1959. He added that Europe cannot turn from the US and stressed that no one at the convention would be allowed to "amuse" himself with this topic. By denying that the party is in danger of a split, he showed confidence in the strength of his own position, plus a belief that the leftists have no alternative to remaining in the party.



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INTERNATIONAL MONETARY DEVELOPMENTS: The dollar generally closed firm in European interbank trading yesterday.

West German Finance Minister Schmidt indicated that the six nations that have agreed to float jointly when official exchange markets reopen will intervene to prevent their currencies from appreciating too much, relative to the dollar. Other EC sources indicate, however, that, in the event of a massive speculative attack, intervention would be held to a minimum and the exchange rate would be permitted to rise.

Most European reaction so far has been favorable to the new arrangement, but the Italian finance minister voiced disappointment that no agreement has been reached on pooling European reserves to cope with speculative flows. A report that a fund of more than \$10 billion had been set up for this purpose has proved to be inaccurate. EC sources claim that this proposal, which was presented by the EC Commission, was rejected by the finance minister as being "too ambitious." The idea of a reserve pool apparently will receive further study, however.

Other European nations, including Austria, Switzerland, the Benelux nations, Sweden, and Norway are weighing their responses to the new monetary situation. The Benelux nations must decide whether or not to follow Bonn in its approximately three-percent revaluation relative to the other partners in the float.

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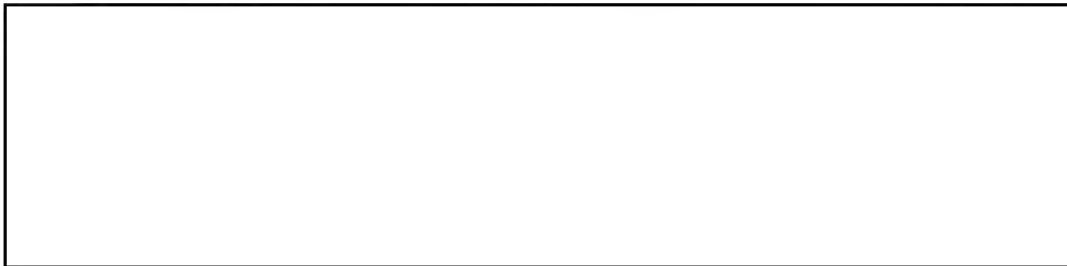
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PERU: Prime Minister Mercado has been designated *de facto* acting president.

Sitting as the revolutionary junta, the three armed services chiefs gave Mercado limited "temporary" executive powers yesterday. Mercado thus moves one step closer to the presidential chair, and no military element appears ready to risk endangering armed forces unity and the government's stability by opposing his accession.



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MBFR: The NATO allies will soon sound out the Soviets on a new approach to the Hungarian participation question that has stalled the MBFR talks, but the outlook for a favorable response is doubtful.

After more than three weeks, the allies have finally agreed to support the US proposal that the status of Hungary be left in abeyance for the time being. The proposal was accepted only after the allies had also agreed that, in the event that Hungary is not a full participant, the Soviets should not be allowed to circumvent any MBFR agreement by increasing the level of forces and equipment in Hungary. The allies will seek to add to the agenda an item that would deal with ways to prevent such circumvention.

The NATO approach is not likely to be acceptable to Moscow, which has indicated that nothing short of a definite solution to the problem of Hungarian participation will be acceptable.

If the Soviets do reject the new approach, the allies' most likely fallback positions are a US suggestion that Hungary be listed only as a consultative participant and a British proposal that the status of all 19 participants be left unresolved for the time being. The British base their proposal on the rationale that the Hungarian question could be settled now only on Soviet terms. The effort to choose between the US and British proposals may put NATO's fragile unity in approaching the MBFR talks under further strain. The European allies have come to consider the Hungarian participation issue as a matter of substantive importance, and they believe the West should not concede too much too soon. Fearing, moreover, that MBFR could turn into a superpower dialogue, they remain acutely sensitive to any sign that the US is not taking their concerns into account.

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BURMA: Rangoon is moving away from its isolationist foreign policy.

In a marked departure from their previous policy of non-involvement in regional affairs, the Burmese recently indicated a willingness to attend a ten-nation Southeast Asian conference on postwar developments. Rangoon has also sent its foreign minister to Bangkok to improve strained relations with Thailand. The government has also backed off from previous objections and now is cooperating with a limited UN-sponsored narcotics suppression program in Burma.

This shift in attitude appears to be motivated in part by anxiety over continuing Chinese support of Communist insurgents in Burma.

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25X1 [redacted] [redacted] [redacted] Burmese officials recently sounded out the Japanese ambassador on the possibility of Tokyo interceding with the Chinese on Rangoon's behalf. One official expressed the hope that the US might use its Peking liaison office for the same purpose.

25X1 The Burmese may have come to the conclusion that their isolationism has not provided immunity from subversion and hope that a more active diplomacy will better serve their interests. There is no sign, however, that Rangoon will give up its traditional policy of nonalignment. Nor is Burma likely to take any step that might antagonize Peking, such as asking for Soviet military aid to counter the insurgency. [redacted]

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UN-AFRICA: The resolutions approved by the UN Security Council on Saturday should help Zambia obtain foreign assistance in moving goods in and out of the country despite the closure of its border with Rhodesia.

The Council found that Zambia, in halting all imports and exports over Rhodesian railways, was complying with the UN embargo against the white Rhodesian Government and was, therefore, entitled to UN assistance. The Council called on all member states, the secretary-general, and specialized agencies to aid Zambia in maintaining a normal flow of trade through alternative routes.

Zambia has thus far had little success in obtaining aid through bilateral appeals but hopes that official association of its cause with UN sanctions against Rhodesia will bring it more generous foreign assistance. Zambia also could obtain funds, technical assistance, and equipment through the UN specialized agencies.

Zambia also scored a tactical success in a separate political resolution that called on the UK to bring about the unconditional release of all political prisoners in Rhodesia and the removal of all restrictions on political activity. [REDACTED]

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VENEZUELA: The major opposition party has set forth its requirements for a long-term energy agreement with the United States.

During a "frank" exchange of views with the US ambassador, the Democratic Action party's front-running candidate for the presidential election in December, Carlos Andres Perez, said that, if elected, his immediate objective would be to work out details of a petroleum agreement with the United States and the oil companies. He believes that any agreement would have to include free entry for Venezuelan oil into the US domestic market. Oil prices would be set by the Venezuelan Government but would reflect world market conditions. In exchange, Perez said his government would provide guarantees for investment by US oil companies. In order to achieve bipartisan support for his oil policy, Perez said he would also appoint a commission of nine or ten Venezuelan leaders to discuss the basic elements of a long-term oil agreement with his government.

When asked about future relations between the government and the US oil companies with regard to existing petroleum concessions, Perez admitted that the current reversion law, which calls for the return to the state of all concessions in 1983, has been discouraging US investors. He felt that if his government came to power in 1974, it would try to work out a new arrangement with the US oil companies, giving the state-owned petroleum corporation major responsibility for further exploitation of existing concession areas. He said that the details of how the oil companies would be compensated would be negotiated later. In the event that an arrangement could not be reached, Perez warned that his government would always have the option of moving up the reversion date and taking over complete control before 1983.

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Petroleum has developed into a major campaign issue as the two leading parties seek to clarify their positions in response to pressures from leftist and nationalist groups. No major substantive differences between the policies of the two parties are apparent as yet. Any differences that may arise will come from the susceptibility of the Caldera government and its candidate to leftist pressure and the government's belief that a hard line toward the US and the oil companies will be politically profitable. There may also be a temptation to exploit the so-called world energy crisis in order to obtain better terms for Venezuelan oil. [REDACTED]

[REDACTED]

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CAMBODIA: The new economic regulations enacted over the weekend appear to be reducing popular discontent. Student leaders in Phnom Penh have agreed to discontinue their three-week-old strike to give the government time to implement the new measures. The striking teachers have decided that the regime's program does not go far enough and plan to remain on strike, but growing public sentiment that the demands are unreasonable may force the teachers to soften their position. [REDACTED]

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USSR: Despite large outlays for US grain, the USSR plans no cutback in purchases of US machinery, according to the deputy minister of Foreign Trade. Soviet orders of US plants and equipment last year were the largest ever, totaling \$465 million. Most contracts were for machine tools and automotive equipment, although large orders for tractors and grain handling equipment also were received. Additional large orders of automotive equipment for the Kama River truck plant are likely. [REDACTED]

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PAKISTAN: The USSR and Czechoslovakia have agreed to release Pakistan from further payments on debts accrued in its former East wing, now Bangladesh. Similar agreements were concluded earlier by Pakistan with China and Yugoslavia. Islamabad's debt to these four countries now accounts for less than five percent of its total foreign debt of almost \$4 billion. Almost all of the remainder is owed to members of the Western Aid Consortium, including the US. Pakistan intends to ask the consortium, which will meet later this month, for a similar agreement and for long-term rescheduling of its share of the debt. [REDACTED]

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